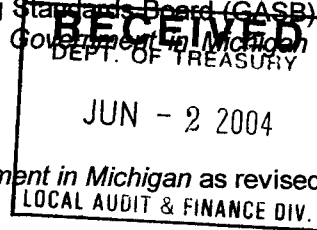


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Masonville		County Delta
Audit Date March 31, 2004	Opinion Date May 18, 2004	Date Accountant Report Submitted to State: May 18, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF MASONVILLE
Delta County, Michigan

RECEIVED
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUN - 2 2004

Year Ended March 31, 2004

OFF DIV.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	B	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	C	5-6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types	D	7
Combined Statement of Cash Flows – All Proprietary Fund Types	E	8
Notes to Financial Statements		9-15
Supplementary Information:		
General Fund Expenditures by Detailed Account	F	16-18
Combining Balance Sheet – All Special Revenue Funds	G	19
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – All Special Revenue Funds	H	20
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I	21

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

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INDEPENDENT AUDITOR'S REPORT

May 18, 2004

To the Township Board
Township of Masonville
Delta County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Masonville, Delta County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Masonville's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Masonville, Delta County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Masonville, Delta County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
<u>Assets</u>			
Cash in bank	202 658 94	248 305 82	6 511 49
Taxes receivable	3 432 82	-	-
Land and land improvements	-	-	-
Buildings	-	-	-
Equipment	-	-	-
Construction in progress	-	-	258 849 51
Total Assets	<u>206 091 76</u>	<u>248 305 82</u>	<u>265 361 00</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Note payable	-	-	264 000 00
Fund equity:			
Investment in general fixed assets	-	-	-
Retained earnings:			
Unreserved	-	-	1 361 00
Fund balances:			
Unreserved:			
Undesignated:	206 091 76	248 305 82	-
Total fund equity	<u>206 091 76</u>	<u>248 305 82</u>	<u>1 361 00</u>
Total Liabilities and Fund Equity	<u>206 091 76</u>	<u>248 305 82</u>	<u>265 361 00</u>

The accompanying notes are an integral part of these financial statements.

<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Total</u>
<u>Agency</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>
-	-	457 476 25
-	-	3 432 82
-	99 961 25	99 961 25
-	253 431 15	253 431 15
-	475 285 60	475 285 60
-	-	258 849 51
<u>-</u>	<u>828 678 00</u>	<u>1 548 436 58</u>
 -	 -	 264 000 00
-	828 678 00	828 678 00
-	-	1 361 00
-	-	454 397 58
-	828 678 00	1 284 436 58
<u>-</u>	<u>828 678 00</u>	<u>1 548 436 58</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	43 559 90	-	43 559 90
Other taxes	503 96	-	503 96
Licenses and permits	6 489 00	-	6 489 00
State revenue sharing	129 881 75	-	129 881 75
Charges for services:			
Property tax administration	20 792 17	-	20 792 17
Other	9 410 00	-	9 410 00
Interest	4 893 02	4 575 13	9 468 15
Rent	21 859 85	-	21 859 85
Miscellaneous	20 600 11	-	20 600 11
Total revenues	<u>257 989 76</u>	<u>4 575 13</u>	<u>262 564 89</u>
Expenditures:			
Legislative:			
Township Board	5 191 64	-	5 191 64
General government:			
Supervisor	8 361 37	-	8 361 37
Elections	96 84	-	96 84
Assessor	16 238 93	-	16 238 93
Clerk	8 587 99	-	8 587 99
Board of Review	368 78	-	368 78
Treasurer	15 231 33	-	15 231 33
Building and grounds	37 514 75	-	37 514 75
Cemetery	5 873 87	-	5 873 87
Public safety:			
Liquor law enforcement	1 301 91	-	1 301 91
Fire protection	13 265 31	-	13 265 31
Medical services	2 360 29	-	2 360 29
Planning and zoning	3 185 81	-	3 185 81
Building Inspector	1 750 00	-	1 750 00
Public works:			
Highways and streets	16 366 55	-	16 366 55
Sanitation	5 102 84	-	5 102 84
Sewer	3 650 00	-	3 650 00

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Expenditures: (continued)			
Culture and recreation:			
Recreation	13 756 17	-	13 756 17
Other:			
Insurance and bonds	10 811 00	-	10 811 00
Retirement	3 070 18	-	3 070 18
Total expenditures	<u>172 085 56</u>	<u>-</u>	<u>172 085 56</u>
Excess of revenues over expenditures	85 904 20	4 575 13	90 479 33
Fund balances, April 1	<u>120 187 56</u>	<u>243 730 69</u>	<u>363 918 25</u>
Fund Balances, March 31	<u><u>206 091 76</u></u>	<u><u>248 305 82</u></u>	<u><u>454 397 58</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	42 000 00	43 559 90	1 559 90
Other taxes	450 00	503 96	53 96
Licenses and permits	875 00	6 489 00	5 614 00
State revenue sharing	121 500 00	129 881 75	8 381 75
Charges for services:			
Property tax administration	19 200 00	20 792 17	1 592 17
Other	7 300 00	9 410 00	2 110 00
Interest	1 000 00	4 893 02	3 893 02
Rent	-	21 859 85	21 859 85
Miscellaneous	4 900 00	20 600 11	15 700 11
Total revenues	197 225 00	257 989 76	60 764 76
Expenditures:			
Legislative:			
Township Board	10 175 00	5 191 64	(4 983 36)
General government:			
Supervisor	9 200 00	8 361 37	(838 63)
Elections	3 150 00	96 84	(3 053 16)
Assessor	21 500 00	16 238 93	(5 261 07)
Clerk	8 900 00	8 587 99	(312 01)
Board of Review	810 00	368 78	(441 22)
Treasurer	16 175 00	15 231 33	(943 67)
Building and grounds	56 000 00	37 514 75	(18 485 25)
Cemetery	10 150 00	5 873 87	(4 276 13)
Public safety:			
Liquor law enforcement	1 500 00	1 301 91	(198 09)
Fire protection	27 230 00	13 265 31	(13 964 69)
Medical services	5 500 00	2 360 29	(3 139 71)
Planning and zoning	4 200 00	3 185 81	(1 014 19)
Building Inspector	1 750 00	1 750 00	-
Public works:			
Highways and streets	18 000 00	16 366 55	(1 633 45)
Sanitation	6 500 00	5 102 84	(1 397 16)
Sewer	4 000 00	3 650 00	(350 00)

The accompanying notes are an integral part of these financial statements.

Budget	Actual	Over (Under) Budget
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	4 575 13	4 575 13
-	-	-
-	-	-
-	4 575 13	4 575 13

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Culture and recreation:			
Recreation	22 500 00	13 756 17	(8 743 83)
Other:			
Insurance	14 000 00	10 811 00	(3 189 00)
Retirement	<u>5 000 00</u>	<u>3 070 18</u>	<u>(1 929 82)</u>
Total expenditures	<u>246 240 00</u>	<u>172 085 56</u>	<u>(74 154 44)</u>
Excess (deficiency) of revenues over expenditures	(49 015 00)	85 904 20	134 919 20
Fund balances, April 1	<u>49 015 00</u>	<u>120 187 56</u>	<u>71 172 56</u>
Fund Balances, March 31	<u>-</u>	<u>206 091 76</u>	<u>206 091 76</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	4 575 13	4 575 13
-	<u>243 730 69</u>	<u>243 730 69</u>
-	<u>248 305 82</u>	<u>248 305 82</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

EXHIBIT D

Year Ended March 31, 2004

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating revenues:	
State grant	
Total operating revenues	<u>1 361 00</u> <u>1 361 00</u>
Operating expenses	<u>-</u>
Operating income (loss) before depreciation	1 361 00
Less: depreciation	<u>-</u>
Operating income	<u>1 361 00</u>
Net nonoperating income and (expense)	<u>-</u>
Net income	1 361 00
Retained earnings, April 1	<u>-</u>
Retained Earnings, March 31	<u>1 361 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUND TYPES EXHIBIT E
Year Ended March 31, 2004

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	-
Cash payments to suppliers for goods and services	-
Cash payments to employees for services	-
Other operating receipts	1 361 00
Net cash provided (used) for operating activities	<u>1 361 00</u>
Cash flows from non-capital and related financing activities:	
Increase in amounts due to other funds	-
Net cash provided (used) for non-capital and related financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Loan proceeds	264 000 00
Acquisition of fixed assets	(258 849 51)
Net cash provided (used) for capital and related financing activities	<u>5 150 49</u>
Cash flows from investing activities:	
Interest income	-
Net cash provided (used) for investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	6 511 49
Cash and cash equivalents, April 1	<u>-</u>
Cash and Cash Equivalents, March 31	<u>6 511 49</u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income	1 361 00
Depreciation	-
Increase (decrease) in assets and liabilities	-
Net Cash Provided (Used) for Operating Activities	<u>1 361 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Masonville, Delta County, Michigan conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Masonville. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Account Group

General Fixed Assets of Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was .9045 mills and the taxable value was \$48,169,880.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Sewer Fund Note Payable

The Township of Masonville obtained a \$264,000.00 loan from Northern Michigan Bank and Trust which is recorded in the Sewer Fund. The loan is a general obligation limited tax refunding note that is due August 30, 2004, with interest at the rate of 2.25% per annum.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>457 476 25</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	228 076 96
Uninsured and Uncollateralized	<u>239 886 08</u>
Total Deposits	<u>467 963 04</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 3 – Deposits and Investments (continued)

The Township of Masonville did not have any investments as of March 31, 2004.

Note 4 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/04</u>
Land and land improvements	99 961 25	-	-	99 961 25
Buildings	253 431 15	-	-	253 431 15
Equipment	<u>475 285 60</u>	<u>-</u>	<u>-</u>	<u>475 285 60</u>
Totals	<u>828 678 00</u>	<u>-</u>	<u>-</u>	<u>828 678 00</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$3,070.18.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$4,644.00 and building permit expenses of \$1,750.00.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT F

Page 1

Township Board:

Wages	900 00
Payroll taxes	65 17
Professional services	2 422 04
Miscellaneous	1 804 43
	<u>5 191 64</u>

Supervisor:

Salary	7 200 00
Office supplies	44 80
Payroll taxes	399 97
Transportation	716 60
	<u>8 361 37</u>

Elections:

Office supplies	<u>96 84</u>
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Assessor:

Salary	15 399 96
Office supplies	716 69
Miscellaneous	122 28
	<u>16 238 93</u>

Clerk:

Salary	6 864 78
Office supplies	1 390 04
Travel and workshops	55 00
Printing and publishing	278 17
	<u>8 587 99</u>

Board of Review:

Wages	297 00
Miscellaneous	71 78
	<u>368 78</u>

Treasurer:

Salary	11 426 55
Payroll taxes	174 81
Office supplies	3 629 97
	<u>15 231 33</u>

Building and grounds:

Wages	3 312 00
Payroll taxes	271 26
Contracted services	1 320 00
Utilities	20 127 28
Repairs and maintenance	10 975 71
Miscellaneous	1 508 50
	<u>37 514 75</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Cemetery:	
Wages	4 400 00
Repairs and maintenance	1 473 87
	<u>5 873 87</u>
Liquor law enforcement:	
Wages	630 00
Contracted services	600 00
Travel	71 91
	<u>1 301 91</u>
Fire protection:	
Wages	2 180 00
Payroll taxes	18 85
Office supplies	1 211 26
Operating supplies	2 899 76
Utilities	3 312 22
Repairs and maintenance	3 367 59
Miscellaneous	275 63
	<u>13 265 31</u>
Medical services:	
Operating supplies	1 257 60
Wages	820 00
Repairs and maintenance	26 15
Miscellaneous	256 54
	<u>2 360 29</u>
Planning and zoning:	
Wages	2 300 00
Payroll taxes	89 61
Printing and publishing	741 20
Miscellaneous	55 00
	<u>3 185 81</u>
Building Inspector:	
Wages	1 750 00
	<u>1 750 00</u>
Highways and streets:	
Street lighting	6 440 93
Roads	8 480 00
Sidewalks	1 445 62
	<u>16 366 55</u>
Sanitation	<u>5 102 84</u>
Sewer	<u>3 650 00</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 3

Recreation:	
Wages	7 391 50
Payroll taxes	620 06
Contracted services	1 207 50
Utilities	653 83
Repairs and maintenance	2 953 91
Operating supplies	<u>929 37</u>
	<u>13 756 17</u>
Insurance	<u>10 811 00</u>
Retirement	<u>3 070 18</u>
Total Expenditures	<u><u>172 085 56</u></u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2004

EXHIBIT G

	<u>CDBG</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	<u>960 47</u>	<u>195 864 34</u>	<u>51 481 01</u>	<u>248 305 82</u>
Total Assets	<u>960 47</u>	<u>195 864 34</u>	<u>51 481 01</u>	<u>248 305 82</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>960 47</u>	<u>195 864 34</u>	<u>51 481 01</u>	<u>248 305 82</u>
Total Fund Balances	<u>960 47</u>	<u>195 864 34</u>	<u>51 481 01</u>	<u>248 305 82</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

EXHIBIT H

Year Ended March 31, 2004

	<u>CDBG</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
Revenues:				
Interest	<u>-</u>	<u>3 428 57</u>	<u>1 146 56</u>	<u>4 575 13</u>
Total revenues	<u>-</u>	<u>3 428 57</u>	<u>1 146 56</u>	<u>4 575 13</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>3 428 57</u>	<u>1 146 56</u>	<u>4 575 13</u>
Fund balances, April 1	<u>960 47</u>	<u>192 435 77</u>	<u>50 334 45</u>	<u>243 730 69</u>
Fund Balances, March 31	<u>960 47</u>	<u>195 864 34</u>	<u>51 481 01</u>	<u>248 305 82</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year Ended March 31, 2004

EXHIBIT I

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	-	1 607 279 69	1 607 279 69	-
<u>Liabilities</u>				
Due to other funds	-	60 387 54	60 387 54	-
Due to others	-	1 546 892 15	1 546 892 15	-
Total Liabilities	-	1 607 279 69	1 607 279 69	-
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in bank	315 46	5 604 79	5 920 25	-
<u>Liabilities</u>				
Due to other funds	-	177 84	177 84	-
Due to others	315 46	5 426 95	5 742 41	-
Total Liabilities	315 46	5 604 79	5 920 25	-
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	315 46	1 612 884 48	1 613 199 94	-
<u>Liabilities</u>				
Due to other funds	-	60 565 38	60 565 38	-
Due to others	315 46	1 552 319 10	1 552 634 56	-
Total Liabilities	315 46	1 612 884 48	1 613 199 94	-

CAMPBELL, KUSTERER & CO., P.C.

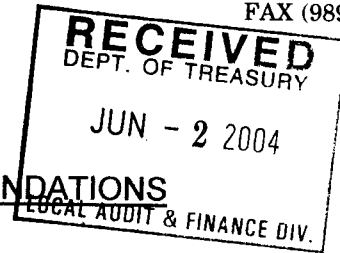
CERTIFIED PUBLIC ACCOUNTANTS

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



May 18, 2004

To the Township Board
Township of Masonville
Delta County, Michigan

We have audited the financial statements of the Township of Masonville, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Masonville in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Masonville
Delta County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Masonville
Delta County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Masonville will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants